

Message Text

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ACTION EB-07

INFO OCT-01 EA-09 ISO-00 AGR-10 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02 FRB-01

OMB-01 L-03 /051 W

----- 034332

R 190750Z SEP 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 7081

UNCLAS TAIPEI 6159

STATE PASS, WILLIAMS, USDA/FAS

E.O. 11652: N/A

TAGS: ETRD, TW

SUBJECT: STATUS OF COTTON CONTRACTS

REF : TOFAS 108, TAIPEI 5723

1. STATUS OF COTTON CONTRACTS AS OF SEPTEMBER 15 WAS AS
FOLLOWS:

L/C OPENED	CANCELLED	L/C'S TO BE OPENED
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PERIOD I	22,709 BALES	2,200 BALES	16,879 BALES
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PERIOD II	69,085	11,040	58,046
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PERIOD III	29,430	8,200	43,800
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TOTAL	121,224	21,440	118,725
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OUT OF ABOVE TOTAL OF 118,725 BALES FOR WHICH L/C'S HAVE NOT
BEEN OPENED, 9,575 BALES FOR PERIOD III ARE CONTRACTED TO
MILLS WHICH HAVE OPENED ALL PERIOD I AND II CONTRACTS AND
ARE NOW AWAITING GSM FINANCING APPROVALS FOR PERIOD III.
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2. OF REMAINING 109,150 BALES FOR WHICH L/C'S NOT OPENED,
SITUATION AS OF SEPTEMBER 15 WAS AS FOLLOWS:

(A) CATEGORY 1 - FIVE MILLS WITH 32,154 BALES IN

DEFAULT HAVE REPORTED TO BOARD OF FOREIGN TRADE (BOFT) THAT THEY HAVE NOT OPENED L/C'S BECAUSE OF NON-DELIVERY OF TEXTILE MACHINERY FROM US MANUFACTURERS. MILLS THIS CATEGORY AND BALES UNOPENED ARE: TRIPOD, 5,229; TAY I, 20,600; HWA SHENG, 2,125; TONG CHU, 3,000; TUNG IN, 1,200.

(B) CATEGORY 2 - NINE MILLS WITH 30,666 BALES IN DEFAULT HAVE CITED TO BOFT DISPUTES OVER PREVIOUS SHIPMENTS OF US COTTON OR DEFAULTS BY US FIRMS ON CONTRACTS FOR COTTON TEXTILES AS REASONS FOR NOT OPENING L/C'S. MILLS THIS CATEGORY AND BALES UNOPENED ARE: YUNG LONG, 4,000; TUNG HSING, 3,100; FU I, 4,000; TUNG LEE, 2,816; FU SHIN, 9,600; CHEN HSING, 1,000; CHENG TUNG, 1,100; TUNG CHENG, 350; JOICING, 4,700.

(C) CATEGORY 3 - EIGHT MILLS WITH 20,330 BALES IN DEFAULT ARE UNABLE TO SATISFY THE CREDIT CONDITIONS OF THE BANK OF TAIWAN. MILLS THIS CATEGORY AND BALES UNOPENED ARE: UNITED, 1,800; YU SHIAW, 800; TA SUN, 1,000; SHING JINN, 2,930; LONG MORE, 7,500; YANG MING, 4,800; SHIN HO, 500; YU KUO, 1,000.

(D) CATEGORY 4 - FOUR MILLS WITH 26,000 BALES IN DEFAULT HAVE FAILED TO PROVIDE BOFT WITH ANY REASONS FOR FAILING TO OPEN L/C'S. MILLS THIS CATEGORY AND BALES UNOPENED ARE: YUAN I, 15,800; CHUNG FU, 2,000; TUNG CHEN, 6,200; GREAT CHINA, 2,000.

3. REGARDING FIVE MILLS IN CATEGORY 1, THE EMBASSY HAS AS RECENTLY AS SEPTEMBER 5 STRESSED TO BOFT THAT TWO MILLS WHICH ARE IN OPERATION (TRIPOD, TUNG IN) SHOULD IMMEDIATELY OPEN L/C'S OR SUFFER PENALTIES. OTHER THREE MILLS (TAY I, TONG CHU, HWA SHENG) HAVE NOT OPENED L/C'S REPORTEDLY BECAUSE OF NON-DELIVERY OF MACHINERY AND BOFT PENALTY MEASURES WILL NOT FORCE THEM TO PURCHASE UNCLASSIFIED

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COTTON SINCE THEY ARE NOT OPERATING MILLS.

4. REGARDING CATEGORY 2 MILLS, EMBASSY HAS ALSO REPEATEDLY STRESSED IN MEETINGS WITH BOFT THAT THERE ARE ESTABLISHED PROCEDURES FOR RESOLVING COTTON TRADE DISPUTES AND THAT SUCH DISPUTES ARE NOT JUSTIFICATION FOR FAILURE TO OPEN L/C'S. ON SEPTEMBER 15 BOFT INSTRUCTED 3 MILLS (FU SHIN, TUNG LEE, TUNG HSING) TO OPEN L/C'S BY OCTOBER 1 OR SUFFER PENALTIES. CONTRACTS ENTERED INTO BY THESE THREE MILLS ARE NOT LIMITED TO SHIPPERS WITH WHICH MILLS HAVE DISPUTES. JOICING TEXTILE MILL ALSO IN SAME SITUATION AND EMBASSY HAS REQUESTED THAT PENALTIES BE IMPOSED THIS MILL. EMBASSY HAS URGED BOFT TO TAKE SIMILAR ACTION AGAINST OTHER

FIVE MILLS IN THIS CATEGORY. BOFT HAS SO FAR RESISTED SINCE REMAINING COTTON FOR WHICH L/C'S UNOPENED IS FROM SAME SHIPPERS WITH WHICH MILLS HAVE TRADE DISPUTES.

5. BOFT HAS MADE NO EFFORT TO FORCE EIGHT MILLS IN CATEGORY 3 TO OPEN L/C'S SINCE THESE MILLS EITHER EXIST ONLY ON PAPER, OR HAVE GONE OUT OF BUSINESS, OR HAVE BEEN SOLD. IN CASE OF LATTER (TWO MILLS) EMBASSY HAS REQUESTED BOFT TO INSTRUCT NEW OWNERS TO HONOR CONTRACTS BUT BOFT HAS NOT ACTED ON REQUEST. LETTER FROM AG ATTACHE TO USDA SEPT 3 REQUESTED INSTRUCTIONS WITH REGARD OTHER SIX MILLS.

6. FOUR MILLS IN CATEGORY 4 (YUAN I, CHUNG FU, GREAT CHINA, TUNG CHEN) ARE BEING SUBJECTED TO PENALTIES, ACCORDING TO BOFT.

7. ECON COUNS HAS SCHEDULED MEETING SEPTEMBER 22 WITH Y.T. WONG (WONG I-TING), DIRECTOR OF BOFT, TO REVIEW ONCE AGAIN COTTON CONTRACT PROBLEM, CATEGORY BY CATEGORY. WONG WILL AGAIN BE URGED IN STRONGEST TERMS POSSIBLE TO HAVE DELINQUENT MILLS HONOR ALL OUTSTANDING CONTRACTS BUT IT MAY BE ANTICIPATED THAT HE AGAIN WILL PRESENT WHAT TO HIM ARE VALID REASONS WHY BOFT IS NOT PREPARED TO TAKE ACTION AGAINST CERTAIN MILLS IN EACH CATEGORY.

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8. IF DOES NOT APPEAR HE WILL PURSUE VIGOROUSLY HE AGAIN WILL BE REMINDED IN STRONGER TERMS OF COMMITMENT MINISTER OF ECONOMIC AFFAIRS (MOEA) Y. S. SUN MADE IN MARCH 1975 THAT GROC WILL "TAKE WHATEVER MEASURES ARE NECESSARY TO ENSURE THE OPENING OF LETTERS OF CREDIT."
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<< END OF DOCUMENT >>

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